THE ALBERTA SECURITIES COMMISSION
ANNUAL REPORT 1984/85

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CONSUMER AND CORPORATE
AFFAIRS

Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report prepared by the Chairman of the Alberta Securities Commission for the year ending March 31, 1985.

Respectfully submitted,

J.A. "Boomer" Adair
Minister of Consumer and Corporate Affairs

Alberta
SECURITIES COMMISSION

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The Honourable J.A. Adair
Minister of Consumer and Corporate Affairs

Sir:

I have the honour to submit the Annual Report of the Alberta Securities Commission for the year ending March 31, 1985.

Respectfully submitted,

W.T. Pidruchney, Q.C.
Chairman
Alberta Securities Commission

ANNUAL REPORT

1. OBJECTIVE

The objective of the Alberta Securities Commission is to regulate investment activity in the Province of Alberta through administration of the Alberta Securities Act and regulations.

2. ORGANIZATION OF THE COMMISSION

The Commission is a two-tiered structure which consists of a Commission Board ("Board") and the Commission staff, ("Staff").

2.1. The Board

The Board comprises a full-time Chairman and 5 part-time members appointed from the general public. The Chairman of the Board acts as chief executive officer of the Commission. The Commission Board consists of Mr. Patrick J. Cashion, C.A., Mr. Norman F. Elsey, of Calgary, William T. Pidruchney, Q.C., Chairman; Douglas R. Craig, P. Eng., of Carbon; Robert G. Donlevy of Calgary and Edward B. Allan, F.C.A., of Edmonton.

The Board establishes policies for administration of the Act, acts as a quasi-judicial tribunal in conducting administrative hearings, and serves as an appeal body where required by statute.

In addition, the Board is designated as a hearing tribunal pursuant to other legislation including the Alberta Business Corporations Act, the Alberta Companies Act and the Investment Contracts Act.

The Commission has legislative authority for the administration of the Securities Act, the Franchises Act and the Deposits Regulation Act, which covers the solicitation of deposits from the public in certain stated circumstances by persons or organizations which are not otherwise regulated.

The Commission Board meets regularly every second week, alternately in Edmonton and Calgary, and holds additional meetings and hearings when and where required.

2.2. The Staff

At the end of March, 1985, the staff of the Commission numbered 55 full-time employees and 4 lawyers seconded from the Department of the Attorney General. Two positions were deleted in the year to meet manpower restraint requirements.

The Staff is organized into four sections:

2.2.1. The Securities section (which reviews prospectuses for the distribution of securities to the public);

2.2.2. The Franchises section (which reviews franchise prospectuses for the distribution of franchises to the public);

2.2.3. The Enforcement section (which conducts all investigations and carries out enforcement proceedings);

2.2.4. The Registration and Administration section (which attends to the registration of salesmen, dealers and advisors and attends to logistical requirements of the Commission).

The Commission operates two offices, located in Edmonton and Calgary, with the main office and majority of staff in Edmonton. The public service office in Calgary consists of four investigators and two secretaries, and is attended on a regular basis by the Commission Board, the Chairman, the Director, the Deputy Director/Enforcement and members of the legal staff.

3. ACTIVITIES AND OPERATIONS

Levels of administrative activity remained high throughout the fiscal year. Filings of preliminary prospectuses decreased by 20% from the previous year, while an overall decrease of 4% occurred in all other filings.

Operationally, the Commission operated within the guidelines of reduced budget and manpower allocation. The Commission continuously reviews its activities in light of the government's desire to eliminate unnecessary regulation and to be more sensitive to the needs of its public. The implementation of a management planning committee and regular management meetings assisted in meeting these objectives and in finding the appropriate balance between the operation of the free enterprise system and appropriate investor protection.

The Commission publishes a Weekly Summary, available to subscribers, which contains information on Commission orders, rulings, notices, new policies, and other matters relevant to the public.

The Commission continued work on special projects, including a review and up-dating of the Regulations to the Securities Act and a review and total re-writing of the Alberta Local Commission Policies.

The Alberta Securities Commission participated in the formulation of the Government white paper on enhancing the Alberta capital market, by submitting presentations to the task force responsible.

The Alberta Securities Commission joined with the Alberta Stock Exchange and the Investment Dealers Association to develop and conduct a "media seminar" September 12th, 1984 in Edmonton. The seminar was to inform media persons as to the nature and purpose of the various sectors of the investment industry.

The Commission continues its "experience-sharing" secondment programs in which individuals from investment industry related firms work for up to a year at the Commission to gain insight into the regulatory process.

As a member of the Canadian Securities Administrators, the Commission participated in that group's regular semi-annual meetings and extraordinary meetings. This informal association of all provincial securities regulators in Canada works toward nation-wide compatibility or uniformity of regulation through the development of national and uniform policies adhered to by the signatory Commissions. The semi-annual Spring meeting of administrators was held in Montreal, May 29-31, 1984, and the Fall semi-annual meeting in Halifax, October 23-25. In addition, a special meeting was held in Vancouver on July 9 & 10 to discuss and draft uniform take-over bid rules. The Chairman of the Alberta Securities Commission was designated Chairman of the Canadian Securities Administrators for the 1985 calendar year. The Fall 1985 meeting of the CSA will be held in Calgary in conjunction with the NASAA meeting.

The Alberta Stock Exchange comes within the regulatory scope of the Securities Act. The Commission maintains a close contact and a good working relationship with the Board of Governors and the administration of the Exchange.

Regular communication is also maintained with the Investment Dealers Association of Canada, both through its national office in Toronto and through its Alberta District Council office in Calgary. The resulting co-operation provides an effective regulatory framework for the investment industry. In June, 1984, the Commission Chairman participated in the association's annual meeting held in Jasper.

The Commission is a member of the North American Securities Administrators Association (NASAA) and is regularly represented at its semi-annual meetings. NASAA provides a window on all securities activities in the United States and in Mexico. The Alberta Securities Commission will host the fall 1985 NASAA conference in Calgary.

The Alberta Securities Commission also took its first step towards becoming a member in the International Association of Securities Administrators. The Chairman of the Commission attended the meeting of the International body in Toronto from July 30th to August 2nd, 1984, and chaired one of the panel discussions.

Lawyers who practice securities law in Alberta have organized themselves into two securities bar groups located in Edmonton and Calgary under the auspices of the Canadian Bar Association. In addition to conducting regular meetings for their own purposes, the lawyers at times assist in the teaching of securities law at the universities in Calgary and Edmonton, and have assisted the Securities Commission by reviewing proposed amendments to the Securities Act and providing their comments, and by preparing briefs in response to Commission concerns as required.

The Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Alberta continue to assist securities regulators across Canada, particularly by ongoing development of policies on generally accepted accounting principles and generally accepted auditing standards for incorporation in the C.I.C.A. handbook.

In addition to the above noted outside associations and groups, the Commission keeps in close touch with and enjoys the co-operation of numerous other agencies, among them the Toronto Stock Exchange, the Montreal Exchange, the Vancouver Stock Exchange, the Canadian Depository for Securities, the Winnipeg Commodities Exchange and the Investment Funds Institute.

The Alberta Securities Commission also regulates trades in franchises in Alberta by administering the Alberta Franchises Act, through the Commission staff and resources previously described. The Act was amended in June 1983 to provide the Director with greater discretion to grant exemptions from the full registration and/or prospectus disclosure requirements. While Alberta continues to be the only Province in Canada to have separate Franchise legislation, the majority of American states have such legislation, the North American Securities Administrators Association has a franchise subsection and there is an active Canadian Association of Franchisors. Beyond serving the residents of Alberta, the Commission continues to field questions on legislation and in particular on franchises from other government bodies and from citizens in other provinces.

4. THE SECURITIES ACT

The definition of securities is very broad, but the more common forms are stocks, bonds, debentures and notes. It may also include the sale of partnership interests, investment contracts and tax shelters of various types. The main purpose of The Securities Act is to require issuers of securities to provide to members of the investing public who trade in securities, all material information relating to the issuer and the securities being offered in order that investors may make an informed business judgement when purchasing new securities.

4.1. Regulation of Securities

Before an issuer is allowed to sell securities from its treasury to the public, written information must be presented to the purchaser prior to the actual sale. This material can take a number of forms. The most frequently used documents are prospectuses, statements of material facts, rights offerings, and take-over bid circulars. The structure of the issuer can vary significantly and can be a corporate entity, a limited or general partnership, or a

joint venture or syndication.

Several issues offered by way of prospectus in this fiscal period involved a combination of entities including, for example, the use of a limited partnership structure in conjunction with a corporate entity.

During this fiscal period, to further streamline securities filings, the Commission adopted the use of the Simplified Prospectus Qualification System for mutual funds. This system permits conventional mutual funds to file an annual information form and, along with the required continuous disclosure filings, provides a permanent information record of the issuer. The issuer is then permitted to file a simplified prospectus which is delivered to potential investors. In addition, issuers are now permitted to provide base information of several related mutual funds in one annual information form as well as to file information on several mutual funds in one offering document.

The Commission's securities section reviews these offering documents to determine that the issuer has complied with the securities legislation, its regulations and Commission policies and practices. An objective of the review is to see that the information being provided to potential investors provides full, true and plain disclosure of the information included regarding the offering, the issuer, its activities (current and historical) and its officers and directors. Only after the Commission's securities staff have completed a review and the offering documents have been accepted for filing are new securities allowed to be sold to the public. In addition, securities previously issued by way of exemption may also be permitted to be sold as a secondary offering along with the primary offering of shares from treasury.

Subsequent to finalizing and clearing a prospectus or certain other offering documents related to the sale of securities, an issuer becomes a reporting issuer and must provide to its equity security holders annual reports, notice of annual meetings and regular financial statements. Corporate insiders must report to the Commission all trades they make which involve their own personal company's shares.

Statistically, prospectus filings in the 1984/85 fiscal year decreased by 12% from the level of filings received in the 1983/84 fiscal year. The decrease in volume of prospectuses results from the economic downturn in the Province of Alberta and the Canadian economy as a whole. The decrease is considered temporary and volumes should increase in the coming fiscal period.

In addition to the above forms of offering securities to the public, the new Securities Act has a large number of exemptions, through which issuers may sell securities to the public. The documents required to be filed with the Commission in connection with the use of these exemptions are not reviewed by the staff of the Commission.

4.2. Regulation of Registration

In general, registration is required before securities are traded with the public, whether the securities are in the form of common or preferred shares, mutual fund shares, bonds, debentures, term certificates or notes.

Through the registration of a company and its officers, directors and salesmen, the Commission strives to allow only trustworthy and knowledgeable individuals to deal with the public. Corporate registrants must at all times meet financial standards set by the Commission. In some cases companies and/or individuals must obtain bonding.

The two broad categories of registration are dealers and advisors. Dealers buy and sell securities as principals and agents, while advisers offer investment advice and/or manage investments. Four new dealers were registered in 1984/85. Not only do these new firms add to Alberta's importance as a financial center, but they offer Alberta investors alternatives in their selections of investments and markets.

The dealers were categorized as one Investment Dealer, one Broker, one Securities Dealer, two Securities Issuers and five Mutual Fund Dealers.

The Securities Issuer category is granted to an issuer for the purpose of selling its own issue for a limited period of time.

Four New Investment Counsel firms and one Securities Adviser were registered during 1984/85.

The Securities Adviser category is granted to a firm that provides investment advise through publications or writings.

The total number of salesmen registered under The Securities Act at year-end increased to 1,455, approximately a one percent increase from the previous year-end.

The Commission staff are regularly monitoring those dealers who are not members of a self-regulatory organization recognized by the Commission, to ensure the dealers maintain the required net free capital and follow prudent business practices. This function serves as a preventive measure as well as assisting in related Enforcement matters.

4.3. Enforcement

4.3.1. Objectives

The often-stated goal of securities regulation is the protection of the investor. Under this philosophy, the Enforcement Section of the Commission performs a multi-faceted role. While not directly involved in the disclosure review process of securities offering documents, the Enforcement Section undertakes educational/preventative policing programs, surveys the securities market, monitors statutory filings, and conducts investigations into violations of the Alberta Securities Act and Franchises Act. As the "sharp end" of the Commission, the Enforcement Section will initiate and undertake such enforcement procedures as are appropriate to the case, including administrative and disciplinary procedures before the Director or the Commission Board, and the conduct of prosecutions in the courts of law.

4.3.2. Staffing

With an authorized staff slate of 14 positions, Enforcement Section personnel staff both the Edmonton headquarters office and the Calgary investigations and part-time executive offices. Following retirement in January 1985 of one investigator, the Enforcement Section presently comprises a Deputy Director in charge of Enforcement, one investigation counsel, one investigative accountant, six investigators, a disclosure technician, and three support staff.

4.3.3. Enforcement Activities

Table "A" hereunder details the number of formal enforcement proceedings initiated before Commission Administrative tribunals and before the courts under the Securities Act and the Franchises Act:

Table "A"

	Proceeding	Totals			
1.	Questioning fitness for initial registration (Securities Act section 55)	2			
2.	Questioning fitness for continued registration (Securities Act section 56)	2			
3.	Prosecutions	Counts Laid	Convictions	Dismissals	Withdrawn Stayed
	a) Securities Act (S.A.)	44	18	7	26
	b) Franchises Act (F.A.)	9	1	4	9
4.	Cease Trading Orders (Securities Act section 165)		Interim 47	Permanent 48	Revocation 14
5.	Denial of Exemptions (Securities Act section 166)			1	

4.3.4. SUPPLEMENTARY PROGRAMS

Certain supplementary enforcement programs as shown in Table "B" are maintained to more effectively administer the legislation and police the securities marketplace. These activities are in addition to the over 8,800 man hours devoted to general investigations:

TABLE "B"

Supplementary Enforcement Program		TOTALS
1.	Insider Trading Report filing oversight: follow-up enquiries initiated	110
2.	Directors and officers background checks	87
3.	Exemption Applications (Ss. 116 and 145) reviews	199
4/	Media Surveillance: follow-up enquiries initiated	39
5.	Review of originating Exchange listed reporting issuers	N/A

4.3.5. INVESTOR ALERT SERIES

In co-ordination with the Better Business Bureau, Enforcement Section publishes a quarterly "Investor Alert" bulletin for free distribution in the Commission's offices and in the Regional offices of the Department of Consumer and Corporate Affairs. The following titles are available to date:

Vacation Timesharing

Commodity Futures Contracts

The Prospectus

Business Opportunities, Swindles & Franchise Frauds

Strip or Zero Coupon Bonds

The Renaissance of Ponzi Scams

4.3.6. STAFF PROFESSIONAL DEVELOPMENT

Section personnel were exposed to on-going professional education and training, including attendance in Chicago, Illinois, on a formal Commodities Training Seminar, and in Barrie, Ontario, on a Securities Investigators Course. Certain in-house offerings included a presentations on the Small Business Equity Corporations Act and its administration. A joint regulators panel, comprising members of the R.C.M.P., the Alberta Stock Exchange, the Investment Dealers Association, and senior Commission Enforcement staff conducted seminars in both Edmonton and Calgary for regulators and industry personnel.

5. THE FRANCHISES ACT

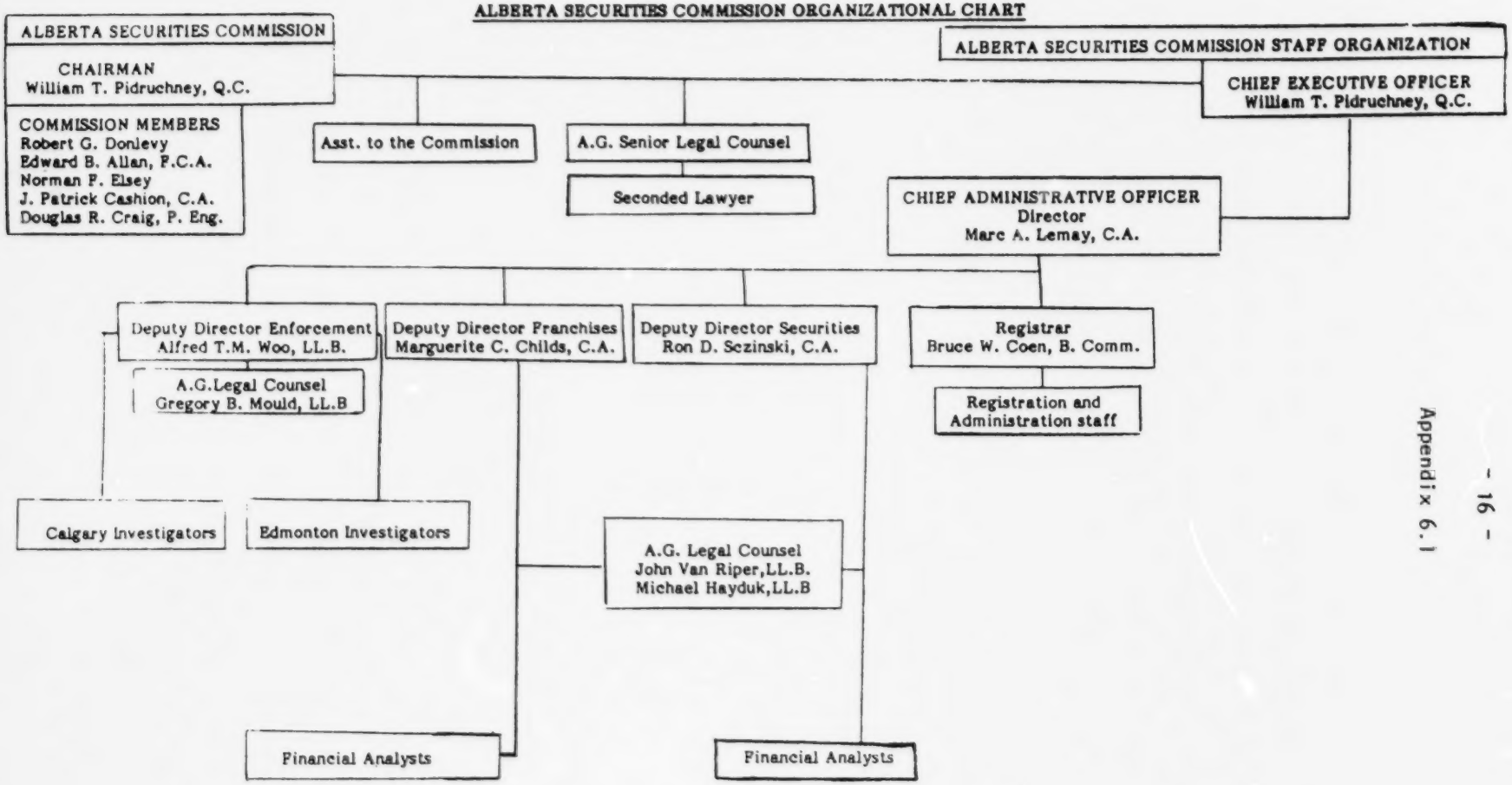
The purpose of the Franchises Act is to provide the franchise investor information with respect to the franchisor and the proposed franchise business in order that the investor can make an informed investment decision. Like the Securities Act, the companies selling franchises and the salesmen marketing the franchises are required to register and file a disclosure document. This document, which is either a prospectus or statement of material facts, is reviewed by the Commission staff to ensure full, true and plain disclosure.

Filings received for registration, exemption and amendments in the 1984/85 year increased 8% over those received in the 1983/84 year. There were 168 applications for registration or exemption from registration in 1984/85. Salesmen's registrations received in 1984/85 increased 14 % over those received in 1983/84.

The Franchises Act was proclaimed to be in effect on November 16, 1972. The Commission staff has offered advice to officials of other jurisdictions now contemplating the introduction of franchise legislation to assist in uniformity among the provinces. This advice, together with the education of the public in the franchise area, requires relatively more time than similar functions under the Securities Act.

Appendix 6.1

ALBERTA SECURITIES COMMISSION ORGANIZATIONAL CHART



ALBERTA SECURITIES COMMISSION

STATISTICAL INFORMATION

Applications Received Securities Act	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	Percentage change 83/84 to 84/85
Dealer Registrations	98	96	103	121	132	143	127	117	119	2%
Amendments to Dealer Registrations	168	146	182	223	217	238	219	200	228	14%
Preliminary Prospectuses	115	107	124	192	270	283	231	291	231	-20%
Renewal Prospectuses	120	106	108	125	115	150	116	130	139	6%
Sundry Filings	224	410	439	658	765	747	1,063	1,442	1,327 (1)	-8%
Salesman Registrations	672	706	730	791	978	1,175	1,177	1,428	1,455	2%
Salesman Transfers	23	56	21	38	40	137	234	227	223	-2%
Orders and Rulings	220	192	335	458	637	752	832	857	715	-17%
	1,640	1,819	2,042	2,606	3,154	3,625	3,999	4,692	4,437	-5%
Franchises Act										
Prospectuses and Amendments	28	49	59	96	121	128	105	100	136	36%
Statements of Material Facts	38	53	52	49	51	54	63	74	79 (2)	7%
Salesman Registration	34	67	88	122	160	157	146	162	185	14%
	100	169	199	267	332	339	314	336	400	19%
	1,740	1,988	2,241	2,873	3,486	3,964	4,313	5,028	4,837	-4%
Budget Summary (3)	515,753	607,465	1,102,430	1,962,590	2,712,965	3,731,289	3,823,170	3,086,445	2,810,570	
Manpower										
Permanent Positions	27	27	41	49	56	59	59	57	55	
Lawyers seconded from the	—	—	—	1	2	3	3	3	4	
	27	27	41	50	58	62	62	60	59	

Notes (1), (2) and (3) - see page 18

Appendix 6.2 - continued

ALBERTA SECURITIES COMMISSION

STATISTICAL INFORMATION -REFERENCE NOTES

Note 1. Securities Act Sundry Filings - 1984/85

Summary Statements	75
Annual Information Statements	144
Rights Offerings	64
Statements of Material Facts	-
Amendments to Prospectuses and Statements of Material Facts	64
Take-Over Bids	77
Section 107, 110, 112	903
	1,327

Note 2. Franchise Statements of Material Facts - 1983/84

Section 2 - Applications for Statutory Exemptions	43
Section 3 - Applications for Discretionary Exemptions	26
Section 18 - Applications for Extension	8
Amendments to S.M.F.	2
	79

Note 3. Budget Summary

Includes special warrants in the fiscal periods ended in 1980, 1981, 1982, and 1983.

APPENDIX 6.3

POLICIES AMENDED OR IMPLEMENTED DURING 1984/85

6.3.1 A.S.C. Policy 4-02 (New): Section Three Application under the Franchises Act

This new policy details the requirements for filing an application under Section 3.

6.3.2 National Policy No. 1 (Amended): Clearance of National Issues

This amended policy details the procedure for filing various documents in more than one province in order to provide for uniformity of administration.

6.3.3 National Policy No. 15 (Amended): Conditions Precedent to Acceptance of Scholarship or Education Plan Prospectuses

This amended policy details the conditions required for the filing of a scholarship or education plan prospectus.

6.3.4 National Policy No. 36 (New): Simplified Prospectus Qualification System for Mutual Funds

This new policy details a simple, plain language disclosure system for mutual funds that requires a simplified prospectus to be delivered to the public and requires no prospectus, but substitutes an annual information form and continuous disclosure filings to be delivered to Canadian Securities Commissions.

6.3.5 A.S.C. Policy 3-03 (Amended): Material to be Filed with a Prospectus and Other Various Applications

This amended policy details the filing requirements for several different applications being filed with the Alberta Securities Commission.

6.3.6 A.S.C. Policy 3-23 (Amended): Prompt Offering Qualification System

This amended policy provides for new eligibility criteria for the use of the prompt offering qualification system.

6.3.7 A.S.C. Policy 3-27 (New): Restricted Shares

This new policy details the requirement to detail the appropriate restricted share term on any publicly traded restricted shares.

6.3.8 A.S.C. Policy 3-28 (New): Strip Bonds

This new policy details the requirement for the unusual attributes of strip bonds to be fully detailed for the benefit of the investing public.